

2005 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

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WORK PLAN

The revenue stabilization and tax policy committee (RSTPC) is a statutorily created joint interim legislative committee. Pursuant to Section 2-16-3 NMSA 1978, the committee is directed to "examine the statutes, constitutional provisions, regulations and court decisions governing revenue stabilization and tax policy in New Mexico and recommend legislation or changes if any are found to be necessary . . .".

Work Focus for 2005

Evaluate State-Sponsored Economic Development Tax Incentives

Legislation is adopted each year to provide tax incentives to promote economic development in New Mexico. During last year's interim, the RSTPC heard testimony regarding the frequency of use of existing incentives. The committee learned that there are currently few tools to monitor job growth, salary increases, income growth or increased economic activity generated by specific incentives. During the 2005 interim, the committee proposes to gather input from the economic development department, the taxation and revenue department and other agencies and organizations to better evaluate the effectiveness of those incentives in contributing to New Mexico's economy. The committee will further review whether those incentives meet general principles of good tax policy and discuss recent court decisions that might affect the provision of state-sponsored tax incentives in the future.

Review Competitive Disadvantages Attributable to the State's Gross Receipts and Compensating Tax Structure

New Mexico businesses that sell goods and services often claim that they are at a competitive disadvantage with out-of-state businesses due to New Mexico's gross receipts and compensating tax structure. Those New Mexico businesses claim that when they sell goods and services to New Mexico consumers, they must pass on to those consumers local option gross receipts taxes in addition to the five percent gross receipts tax imposed by the state. Meanwhile, the same consumers could pay only a five percent compensating tax rate if they purchase the same goods and services from out-of-state businesses. Thus, some consumers might opt to purchase those goods and services from out-of-state businesses to pay the lower tax rates. During the 2005 session, the legislature passed Senate Joint Memorial 46, which requests the taxation and revenue department to conduct a study of the competitive disadvantages realized by New Mexico businesses as a result of the state's gross receipts and compensating tax structure and present a written report of its findings and recommendations to the appropriate interim committee of the legislature. The RSTPC proposes to review and discuss the taxation and revenue department's findings and recommendations.

Study Effectiveness of Enforcement of Highway and Commercial Motor Vehicle-Related Taxes and Fees

The motor transportation division (MTD) of the department of public safety (DPS) monitors and enforces the payment of several highway and commercial motor vehicle-related taxes and fees such as the trip tax, the weight distance tax and fees for oversize and overweight permits. The MTD might encounter several challenges due to its existence as a division under the DPS and due to issues that arise from the quantity of travelers near the Mexican border. The committee proposes to discuss what those challenges might be and will examine models for divisions similar to the MTD in other border states.

Receive Updates on Streamlined Sales and Use Tax Agreement Negotiations

During the 2005 session, the legislature passed House Bill 575, which permits the secretary of taxation and revenue to participate with other states in developing a plan to simplify administration of sales and use taxes. The committee requests updates on the progress of those negotiations.

Other Tax and Fiscal Matters for Review

The committee proposes to also:

- examine economic and revenue trends;
- discuss revenue enhancement and tax relief possibilities;
- monitor severance tax revenues, including revenue and bonding authority estimates, and management of bond appropriations and expenditures;
- monitor general obligation bond capacity and indebtedness status;
- receive an update on the performance of state permanent fund investments;
- receive an update on fuel taxation on tribal lands;
- review existing tax laws for technical correction, cleanup or amendment;
- study gross receipts tax pyramiding issues;
- discuss local option gross receipts and compensating tax issues;
- receive updates on the food and medical gross receipts tax deduction;
- discuss the potential for a national retail sales tax and how the state could be affected;
- study the implementation and the effects of combined reporting;
- receive an update on tax relief provided to veterans and implementation of the veterans' property tax exemption;
- obtain updates on property tax developments;
- discuss the taxpayer bill of rights (TABOR);
- examine methods that use tax increments to finance local economic development projects;

- explore methods to fund local infrastructure projects;
- receive a report on the status of intergovernmental agreements with tribes and resulting revenue trends;
- study the effect of transportation-related taxes on state vehicle use;
- explore highway funding mechanisms; and
- conduct any other study or review of tax administration, tax laws, tax policy, public finance and revenue stabilization issues that the committee deems necessary.

APPROVED MEETING SCHEDULE

The RSTPC proposes to meet as follows:

| <u>Date</u> | <u>Location</u> |
|------------------------|-----------------|
| June 2 | Santa Fe |
| July 21-22 | Hobbs |
| August 25-26 | Rio Rancho |
| September 15-16 | Taos |
| October 20-21 | Santa Fe |
| November 30-December 1 | Santa Fe |